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C O N F I D E N T I A L SANTIAGO 000548

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TAGS: [ECON](#) [PGOV](#) [PREL](#) [SOCI](#) [KIPR](#) [CI](#)  
SUBJECT: CHILE'S PRESIDENTIAL RACE: ECONOMIC GROWTH  
CENTRAL TO PINERA'S VISION

Classified By: Ambassador Paul Simons for reason 1.4 (b).

11. (C) SUMMARY: Opposition presidential candidate and business leader Sebastian Pinera believes that successive Concertacion governments have been complacent in managing Chile's economy, missing opportunities for structural change and modernization, and creating an extensive and pricey social safety net that encourages dependency on the state. Returning Chile to its 1990s era growth rates of 6 to 7% is central to Pinera's vision for the country, the opposition candidate told Ambassador and Poloff during a June 9 meeting. Pinera has a positive view of the U.S., and plans to visit the U.S. in the coming months. Pinera was pleased to compare his united and enthusiastic campaign with that of his chief rival, former President Eduardo Frei, which he described as "having problems daily." End Summary.

Pinera's Vision: Higher Economic Growth, More Individual Responsibility  
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12. (C) Describing Chile as, at its core, a center-left country, Pinera nonetheless asserted that the failure of successive Concertacion governments to manage the economy and the government well has left an opening for a center-right politician like himself. Recovering Chile's high economic growth rates is central to his vision for the country, Pinera stressed. In the 1990s, Chile was one of the world's fastest growing economies, expanding at 7.5% per year -- twice as fast as the global average. From 1998 to 2009, however, Chile's economy has grown more slowly than the global average, while neighbors such as Peru have thrived. Chile had everything going for it in this period -- many free trade agreements, good access to credit, and high copper prices -- but still experienced a tremendous economic slowdown. Chile "missed a huge opportunity" for economic growth and to end poverty during the Frei and Lagos administrations, Pinera believes. (Comment: The Asian financial crisis was certainly another critical part of the economic backdrop of this period, but one that Pinera downplayed. End Comment.)

13. (C) Pinera's criticism extends into President Bachelet's handling of the Chilean economy. Pinera stated that in 2009, Chile will have the second lowest economic growth rate in Latin America, contracting 1% and experiencing 10% unemployment while its northern neighbor, Peru, grows by 4%. Bachelet's signature achievement -- expanding Chile's social safety net -- has been accomplished thanks to record high copper prices, which allowed Chile to stockpile revenue. These funds financed the 10% annual growth the national budget has experienced under Bachelet. Now that the price of

copper has fallen, the country is facing a "huge" deficit this year, Pinera warned.

¶4. (C) While the left accuses him of wanting to destroy the social safety net, Pinera counters that in fact he wants to perfect it. Chile suffers from unemployment, rising levels of crime, poor health infrastructure, and a "stagnant" education system, Pinera charged. Bachelet has given speeches attacking these problems, but has done little to solve them. Chileans have become overly dependent on the state to solve their problems, causing the country to slowly fall into mediocrity, the presidential candidate asserted. Pinera proposes structural changes (as yet undefined) which will promote productivity, innovation, entrepreneurship, and investment in the economic sphere, and will create incentives for better teacher performance. His vision is not/not for a "brutal, radical change," he commented, but rather that Chile would recover its lost economic leadership and dynamism.

#### Positive Relations with the U.S. and the World

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¶5. (C) Pinera has a positive impression of the U.S. and is interested in continuing to strengthen the already positive relationship. He queried the Ambassador about any problems in the bilateral relationship, noting that since the Pinochet era the only significant problem he could recall was the problem with supposedly tainted grape exports in the 1990s. The Ambassador saluted the very strong bilateral relationship and cited intellectual property as one area where Chile could do more to prepare itself to be competitive with Mexico as well as other OECD countries. Pinera plans to travel to

Europe in late June and July, and will meet with prominent conservative leaders like British opposition leader David Cameron. He also hopes to travel to the U.S. and solicited ideas for prominent leaders he could meet with, noting that he has already received invitations to visit several prominent American universities and think tanks.

¶6. (C) Pinera wants to increase Chile's engagement with the world, including finalizing Chile's accession to the OECD. Chile should embrace intellectual property rights, he said, which will help Chile's relationship with the U.S. and its economic strategy.

#### A Confident Mood: Pinera's Perspective on the Campaigns

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¶7. (C) Pinera asserted that his campaign is united, enthusiastic, and hopeful -- a big contrast to former president Eduardo Frei's campaign, which he described as "having problems daily." Enjoying unexpected success at this early stage, Socialist challenger Marco Enriquez-Ominami is beginning to organize his campaign team, Pinera noted.

¶8. (C) Meanwhile, all of Chile's politicians are anxiously awaiting results from the Centro de Estudios Publicos (CEP) poll, which is the most reliable of Chile's many public opinion surveys and is scheduled to be released next week. Pinera predicts that he will lead the pack with 35% support to 23% for Frei and 15% for upstart Enriquez-Ominami. Such a scenario would spell serious trouble for Frei, he said, as Concertacion supporters would begin dividing their loyalty between the Concertacion's official candidate, Eduardo Frei, and its young and charismatic rebel, Socialist parliamentarian Enriquez-Ominami. (Note: June 10 press reports indicated that Enriquez-Ominami plans to announce his departure from the Socialist party on June 12. End Note.)

¶9. (C) Pinera described his frustration with the lack of opportunity for substantial policy debate in Chile. The Chilean press focus on campaign and personal clashes over substance, and report sensationalist soundbites rather than giving space for a nuanced conversation about complex issues. Chile's presidential debate formats typically allow for little direct interaction between candidates, leading detractors to describe them as "parallel press conferences."

Comment

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¶10. (C) As one of Chile's wealthiest individuals and a Harvard-trained economist, fixing the perceived mistakes of Concertacion economic policy is Pinera's passion. However, returning to 6-7% annual growth rates is likely to be difficult. As a middle-income country, Chile's circumstances are different from the 1990s, when the country went through a period of rapid and stable economic development. Although not as focused on foreign policy as he is on economics, Pinera's advisors have told us that he sees the U.S. as a friend and model. Pinera is intensely interested in traveling to the U.S. and in lining up meetings with leading politicians, either in the Obama administration or figures in American center-right political circles. A pragmatic politician, Pinera knows that photos of him with prominent American leaders would help him seem substantial and presidential in Chile. If elected, he would continue to nurture the strong bilateral relationship. End Comment.  
SIMONS